

VÍB Meeting

26 October 2011

Main Economic Statistics

	2011	2012	2013
• Iceland Statistics			
• GDP	2,5%	3,1%	2,8%
• Investment	15,0%	14,5%	14,3%
• Unemployment	7,2%	6,0%	5,4%
• Central Bank			
• GDP	2,8%	1,6%	3,7%
• Investment	15,8%	16,2%	11,2%
• Unemployment	7,1%	6,2%	5,8%

Why Growth?

- Lost more than 10% of GDP 2009-2010
 - Króna depreciation
 - Lower purchasing power
 - Lost jobs
 - Unemployment
 - Emmigration
 - Living standards down
- 1% - 2% Stagnation
- 2,5% - 3,5% Slow recovery
- 4% - 5% Back on track 2015 - 2016

Where is Success?

- The IMF programme introduced a certain discipline especially in government finances
- Budget deficit has been brought under control with tax increases and expenditures reductions
- Need to find room in the government budget for 60 billion net financial charges and adjust expenditures to lower income

Where is Failure?

- Investments are not increasing but they are key to recovery
- Increase demand for the short term - capacity and competitiveness (supply) for the long term
- Jobs at ongoing projects – new future jobs and more dependable jobs when investment projects are completed
- Balance sheet restructuring too slow for business, families, and the financial sector
- Capital controls create ever greater damage

Ideological Victories

Practical Solutions

- Growth opportunities in the export sectors
 - Fisheries
 - Aluminium
 - Tourism
 - High value added/human capital based exports
- Ideological barriers to investments in fisheries and aluminium sectors
- Road projects stop for ideological reasons
- No future strategy for the financial sector
- Economic (mis)management

What next?

- Stagnation and jobs losses or growth with investments and business renewal?
- Is our government up to the job?
- Shame if Iceland is stuck in the crisis for the whole decade
- ***THE JOBS AND GROWTH STRATEGY***